DIVAS EUROZONE VALUE

Monthly Report November 2025

Marketing material for professional clients

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CITYWIRE PLATINUM
Best performing risk-adjusted eurozone equity strategy over 5 and 10 years

MORNINGSTAR ★★★★★

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Market environment

In November, eurozone equity markets oscillated within a 6% band to eventually close up 0.29%.

Over the month, 5-year forward inflation expectations remained unchanged at +2.06%, while the 10-year Bund yield rose 6 basis points to 2.69%.

At the same time, Brent crude oil and Nickel declined by 3%, while Iron Ore traded flat.

In November, the Swiss franc weakened 0.42% to 0.9322.

The November eurozone Composite PMI softened to 52.4 from 52.5 and market expectations for 52.5. The November China Composite PMI moderated to 49.7 from 50. November US ISM Manufacturing PMI slowed to 48.2 from 48.7 in contrast to market expectations of a rise to 49.

Performance

In November, the MSCI EMU Index rose 0.29%. The fund's euro I-shares appreciated 2.45%, outperforming the MSCI EMU Index (net dividends reinvested) by 217 basis points. Year-to-date, the fund spiked 30.87%, while the market jumped 20.93%, outperforming the benchmark by 994 basis points.

Performance contributors

- **Bayer** outperformed the market by 13%, on the company announcing that a Phase III trial with 12,300 patients of an oral drug called Asundexian had significantly reduced the risk of a secondary stroke, and that there was no increase in the risk of major bleeding. This is a drug with estimated peak sales of some 3 billion.

- **ABN AMRO Bank**, **BNP Paribas** and **Société Générale** outperformed the market by 12%, 10% and 9% respectively, with all three raising their forward guidance and announcing new share buy-backs.

- **ArcelorMittal** outperformed the market by 12% on announcing a strong set of Q3 results.

- **BMW**, **Volkswagen pref.** and **Forvia** outperformed the market by 9% respectively, supported by strong Q3 numbers and year-on-year car registrations.

Performance detractors

- Despite reporting results in line with expectations, **LANXESS** underperformed the market by 15% by successively hitting new 52-week lows, a feast for speculators to further increase their short positions.

- **Prosus** underperformed the market by 10% on profit taking, following its 93% spike since early January.

- **Pernod Ricard** underperformed the market by 9%, successively hitting new 52-week lows, despite the absence of any company specific news flow.

Positioning

In November, the fund switched its holding in Aegon, having outperformed the market since purchase by 38%, into BNP Paribas. Furthermore, it reduced its positions in Société Générale, ABN AMRO Bank and Repsol, having outperformed the market since purchase by 107%, 73% and 27%, respectively in order to increase its holdings in LANXESS, Sanofi, Randstad and Arkema.

Outlook

Once in a lifetime opportunity

With the latest change effected in November 2025, we have now reloaded 65% of the fund with new investments. In early 2025, 74% of the fund's holdings touched multi-year-lows, while eurozone equity markets made new historic all-time highs. The shift over the last couple of months into the incredibly attractively valued defensive giants has decreased the risk of the fund. Following 17 years with a portfolio beta of above 1.3 and a tracking error of about 14, driven by our very pronounced exposure to financials in general (some 50%) and retail banks in particular (some 30%), we are now back to the same defensive positioning we had at the end of May 2009, following the massive rotation out of defensives onto risk (financials and cyclicals) with a market beta (1.05) and a tracking error of just 7.4. Back in May 2009, the fund was left with some 37% upside to fair value and had a dividend yield of 0.9%. Currently, we see a potential upside to fair value of 80% with a dividend yield of 3.5%.

The key driver for positive and negative alpha is the earnings revision ratio. 74% of our holdings are at trough earnings, meaning negative earnings revisions are petering out. The inflection point for positive alpha is not positive earnings revisions but a bottoming out of negative earnings revisions. The only meaningful overweight we have held since the beginning of 2025 is our exposure to auto, which on average has underperformed. Rather than being underperforming year-to-date, we are currently 10% ahead of the benchmark, as the vast majority of these 74% holdings are likely to have reached the anticipated turning point. Chances are that we are into the first inning of the next major outperformance cycle, similar to the scenario witnessed in 2021-2023 (the fund generated 52% alpha in those three years).

Our strategy has a negative relative correlation to the growth/momentum factor to which all our clients are extensively exposed, across all asset categories. Exposure to our strategy offers substantial diversification benefits, thus reducing overall portfolio risk.

Gaining exposure to our strategy today provides you with access to a portfolio growing its earnings in the low teens for the next three years, valued on 9.8x earnings (including announced share buy-backs at major discounts to tangible book) and paying you a rich and growing dividend yield of 3.5%. Our average upside to fair value currently resides at +80%.

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Equity: Investments in equities may be subject to significant fluctuations in value.

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